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Equity – Global Equities fell

- Looking at the recent price performance, driven by the Fed's hawkish stance indicating more rate hikes in 2023, global equities fell 4.6% in December 2022. Risks of impending recession has grown further and adversely impacted investor sentiment, resulting in all major regions posting negative returns in December. S&P500 and Nasdaq decreased 5.90% and 8.73%, respectively. MSCI EU and MSCI EM decreased 3.58% and 1.64%, respectively. CSI300 Index slightly increased 0.48% while ChiNext decreased 2.32%. HSI and HSCEI gained 6.37% and 5.18%, respectively.
- China's December NBS PMI report came in much weaker than expected amid the massive wave of COVID-19 infections nationwide. China's December NBS manufacturing PMI index dropped to 47.0 from 48.0. The massive infection outbreak has led to under-capacity for production activities due to a shortage of labour as well as lengthier delivery of goods. The new orders PMI dropped to 43.9 from 46.4. The non-manufacturing PMI fell from 46.7 to 41.6. The services sector sub-index remained a notable drag as a vast majority of households fell sick or voluntarily refrained from social gatherings amid the largest outbreak since the beginning of the pandemic. As a result, sectors most dependent on in-person interactions, such as retail, road transportation, accommodation and catering, have shown PMI readings below 35.0. On the whole, we expect China will face near term headwinds from the transition period, but a stronger rebound should come through in Q2 2023, which will help to lift growth to 5% next year.

Index	Settle	Net Change (+/-%)		Valuation (2022)	
		MoM	YTD	PE	PB
DJIA	33,147.25	-4.17%	-8.78%	18.20	4.33
S&P 500	3,839.50	-5.90%	-19.44%	17.52	3.69
Nasdaq	10,466.48	-8.73%	-33.10%	24.59	4.21
Nikkei	26,094.50	-6.70%	-9.37%	14.21	1.50
FTSE100	7,451.74	-1.60%	0.91%	9.68	1.65
CAC40	6,473.76	-3.93%	-9.50%	10.52	1.61
DAX	13,923.59	-3.29%	-12.35%	11.00	1.48
SHCOMP	3,089.26	-1.97%	-15.13%	11.47	1.29
CSI300	3,871.63	0.48%	-21.63%	13.29	1.69
ChiNext	2,686.76	-2.32%	-26.77%	30.72	4.28
HSI	19,781.41	6.37%	-15.46%	10.88	1.14
HSCEI	6,704.94	5.18%	-18.59%	9.15	1.07
TWSE	14,137.69	-4.99%	-22.40%	10.42	1.87
KOSPI	2,236.40	-9.55%	-24.89%	10.55	0.89
JCI	6,850.62	-3.26%	4.09%	14.45	1.85

Source: Bloomberg

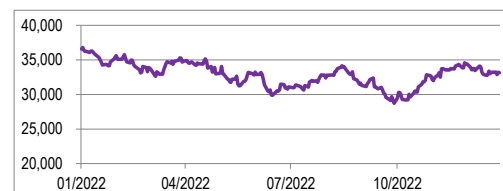


Fig. 1 One year performance of Dow Jones Index

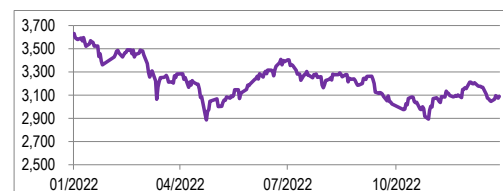


Fig. 2 One year performance of Shanghai Composite



Fig. 3 One year performance of Hang Seng Index

Fixed Income – Developed market yields rose

- In the US, a lower-than-expected November CPI print didn't bring a sustained market rally like the one we saw after the October CPI data. Following the inflation data, the Fed hiked rates by 50bp as expected on 14 December. The new dot plot showed a higher peak rate (5.125%) compared to September's projections, but the long-term dot remained anchored at 2.50%. Yields moved higher in the second half of the month, especially at the long-end. Finally, the US 10-yr Treasury Yield ended the month by increasing 27bp to 3.87%.
- In Europe, the ECB delivered an expected 50bp hike. However, a hawkish statement, forecasts and press conference triggered a sharp sell-off across Eurozone rates markets. Yields continued to climb for the rest of the month. Finally, Euro 10-yr Government yield increased 64bp to 2.57%. In UK, gilts also recorded a poor performance in December even as the BoE moved in a more dovish direction. The BoE met market expectations with a 50bp rate hike on 15 December, though the three-way voting split revealed that two members voted for no change. Finally, 10Y gilt yield increased 51bp to 3.67%.

Bonds	High	Low	Settle	Net Change (bp)	
				MoM	YTD
US 10-yr Treasury Yield	3.88%	3.42%	3.87%	27	236
US 30-yr Treasury Yield	3.97%	3.43%	3.96%	23	206
Euro 10-yr Govt Yield	2.57%	1.78%	2.57%	64	275
Japan 10-yr Govt Yield	0.48%	0.25%	0.42%	17	35
China 10-yr Govt Yield	2.95%	2.84%	2.84%	-8	6

Source: Bloomberg

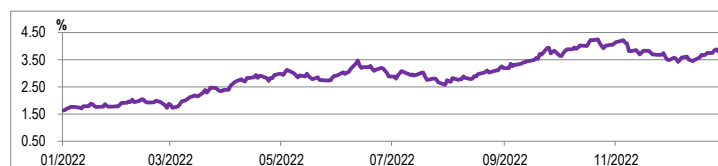


Fig. 4 One year performance of US 10-yr Treasury Yield

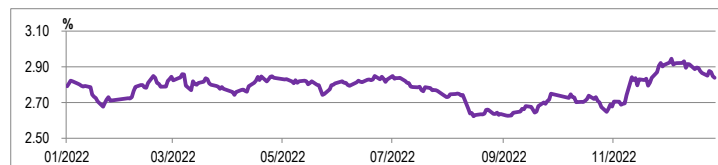


Fig. 5 One year performance of China 10-yr Treasury Yield

Commodities – Oil price fell and gold price rose

Commodities	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
WTI Oil (bbl)	81.22	71.02	80.26	-0.36%	6.71%
Brent Oil (bbl)	86.88	76.10	85.91	0.56%	10.45%
Gold Spot (oz)	1,824.02	1,768.52	1,824.02	3.14%	-0.28%
CMX Silver (oz)	24.27	21.78	24.04	10.37%	1.74%
CMX Copper (lb)	388.35	373.80	381.05	1.94%	-13.21%
LME Zinc (mt)	3,346.25	2,965.00	3,003.25	-1.54%	-16.34%
LME Aluminum (mt)	2,517.45	2,323.50	2,349.51	-4.00%	-16.27%

Source: Bloomberg

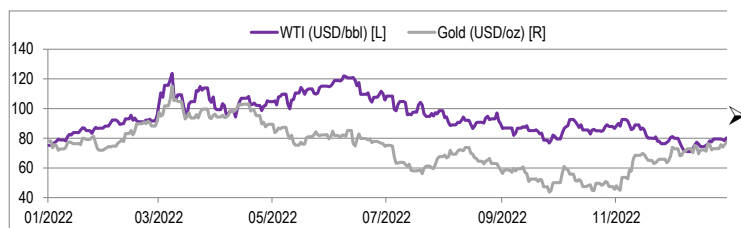


Fig. 6 One year performance of Oil and Gold Price

Oil started the month on the front foot as optimism grew around a possible China reopening. However, oil prices then slipped as the EU announced a price cap of USD 60/barrel on Russian oil, even though the impact of the price cap was expected to be fairly limited. Even the OPEC+ reaffirmed its commitment to its current oil production cuts of 2m barrels per day until the end of 2023, oil prices continued to decline. After that, the Keystone pipeline in the US was shut down after an oil spill and may remain closed for longer, oil prices started to trend higher. Nonetheless, growing recession fears, spurred by more hawkish central banks imposed a setback to oil prices. Finally, oil price fell 0.36% to US\$80.26/bbl at the end of the month.

Gold see-sawed its way through December amidst indications of moderating inflation and the prospect of higher policy rates. On 13 December, lower US CPI numbers led to a 1.7% surge in gold prices, but the yellow metal sank 1.7% on 15 December as markets digested the prospect of a more hawkish Fed and ECB. Bullion surged 1.7% again on 20 December, on the back of some "risk off" sentiment spurred by the BoJ's announcement – but lost most of its gains in a 1.2% drop on 22 December. Gold also found broad support following the publication of a World Gold Council report showing central banks had bought a record amount of gold in the first three quarters of 2022 – with almost 400 tonnes bought in Q4 alone, quadruple the amount in Q4 2021. After much see-sawing, gold price finally closed at 1,824.02/oz, increased 3.14% MoM.

FX – USD weakened

- The Dollar ended 2022 on a slightly softer footing, with its most sizable declines concentrated against two major currencies – the Euro and the Yen. The DXY's monthly close of 103.5 was the lowest since May 2022 as the market focused on the reopening of the Chinese economy from COVID-19 restrictions, a significant policy change by the BoJ, a persistently hawkish ECB and broader signs of peaking inflation and bottoming growth. It was not all one way, however, with a number of data points and hawkish central bank comments continuing to weigh on broader risk sentiment, which provided intermittent support for the greenback. The DXY finally decreased 2.29% in December.
- The EUR was the second strongest performer in G10 in December, in part benefitting from a still hawkish ECB, which on 15 December hiked rates by 50bp, as expected, but also pledged to keep hiking by that amount for a period of time. This announcement saw the EUR hit a sixmonth high, with EUR-USD trading briefly above 1.07 for the first time since June. Finally, the EUR-USD gained 2.87% in December. GBP was much less in the limelight in December, trading largely sideways against the USD amidst ongoing signs of poor economic performance and a still dovish BoE. Finally GBP gained 0.21% against the USD in December.

FX	High	Low	Settle	Net Change (+/-%)	
				MoM	YTD
DXY	105.95	103.52	103.52	-2.29%	8.21%
EUR / USD	1.071	1.041	1.071	2.87%	-5.85%
USD / CNH	7.046	6.922	6.922	-1.76%	8.89%
USD / JPY	138.1	131.1	131.1	-5.03%	13.94%
GBP / USD	1.243	1.202	1.208	0.21%	-10.71%
USD / CAD	1.370	1.341	1.355	1.06%	7.26%
AUD / USD	0.686	0.667	0.681	0.37%	-6.20%
USD / CHF	0.946	0.923	0.925	-2.24%	1.27%

Source: Bloomberg

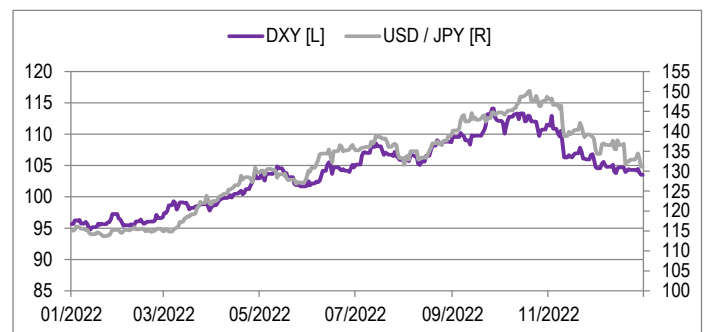


Fig. 7 One year performance of DXY and JPY

Economic Calendar (January 2023)

Monday	Tuesday	Wednesday	Thursday	Friday
2	3 Markit US Manufacturing PMI	4 MBA Mortgage Applications ISM Manufacturing	5 ADP Employment Change Trade Balance Initial Jobless Claims	6 Change in Nonfarm Payrolls Unemployment Rate Factory Orders Durable Goods Orders
9	10	11 MBA Mortgage Applications	12 CPI MoM N/A Initial Jobless Claims	13 U. of Mich. Sentiment
16	17 Empire Manufacturing	18 MBA Mortgage Applications PPI Final Demand MoM Retail Sales Advance MoM Industrial Production MoM	19 Housing Starts Initial Jobless Claims	20 Existing Home Sales
23 Leading Index	24 Markit US Manufacturing PMI	25 MBA Mortgage Applications	26 GDP Annualized QoQ Initial Jobless Claims Durable Goods Orders New Home Sales	27 Personal Income Personal Spending U. of Mich. Sentiment
30	31 Chicago Purchasing Manager Conf. Board Consumer Confidence			

Source: Bloomberg